



Department of Energy
Western Area Power Administration
150 East Social Hall Avenue, Suite 300
Salt Lake City, UT 84111-1580

APR 22 2011

VIA E-MAIL ONLY

Dear Salt Lake City Area Integrated Projects Customer:

Under your firm electric service contract, Western assesses energy and demand charges as set forth in Rate Schedule SLIP-F9. Additionally, under this rate schedule a Cost Recovery Charge (CRC) may also be assessed if Western determines it is necessary.

Western is to notify its customers by May 1, 2011, if a CRC is needed in the next fiscal year. I am pleased to announce that we have reviewed our financial situation compared to the anticipated hydropower generation levels and determined the CRC for FY 2012 to be 0.00 mills/kWh. Because there is no CRC, there is no need for action on your part.

Had the CRC been necessary, each customer would have been provided with two sets of energy numbers for the next fiscal year. One set would have shown the full SHP energy allocation, and the other set would have shown a lower SHP allocation. Under this scenario, each customer would then decide whether to accept or decline the CRC. Customers accepting the CRC would receive the full SHP allocation and be charged the additional expense of the CRC. Those customers declining the CRC would avoid the charge, but receive less energy from Western in the next fiscal year.

Since a CRC is not necessary for FY 2012, Western will not be providing you with alternative energy and capacity allocations. Again, no action is needed on your part in response to this letter. Western will proceed as normal and provide you with your Winter Season Attachment later this summer.

If you have any questions, please telephone me at (801) 524-4007.

Sincerely,

A handwritten signature in cursive script, reading "Rodney G. Bailey", is positioned above the printed name.

Rodney G. Bailey
Rates Manager

Enclosure

FY 2012 CRC Calculation

Step 1		FY 2012	
BFBFB	Basin Fund Beginning Balance (\$)	\$128,660,000	Projected beginning balance for FY2011 per financial cash flow analysis
BFTB	Basin Fund Target Balance	\$22,558,950	Basin Fund Target Balance = 15% *PAE
PAR	Projected Annual Revenue (\$) w/o CRC	\$201,140,000	Per financial cash flow analysis
PAE	Projected Annual Expense (\$)	\$150,393,000	Per financial cash flow analysis
NR	Net Revenue (\$)	\$50,747,000	=PAR-PAE
NB	Net Balance (\$)	\$179,407,000	=BFBFB + NR
Step 2			
EA	SHP Energy Allocation (GWh)	4,951.79	FY 11 SHP energy allocation excluding project use
HE	Forecasted Hydro Energy (GWh)	5,504.66	Projected generation from the most current 24-month study, does not include project use
FE	Forecasted Energy Purchase (GWh)	103	Forecasted Energy Purchase (GWh) from the most current 24-month study
Price	Average price per MWh for purchased power	\$35.34	Average price = 60% onpeak + 40% offpeak
FX	Forecasted Energy Purchase Expense (\$)	\$3,631,289	Estimated purchased power costs based upon most current 24-month study
Step 3			
FA1	Basin Fund Balance Factor (\$)	\$3,631,289	If NB is greater than BFTB then use FA1=FX; if NB is less than BFTB then use FX-(BFTB-NB)
FA2	Revenue Factor (\$)	\$3,631,289	Formula is: $-IF(NB > BFTB, FX, FX - (BFTB - NB))$
FA	Funds Available (\$ (Lesser of FA1 or FA2)	\$3,631,289	If NR is greater than -25% of BFBB then FX, if NR is less than -25% of BFBB then, $FX + (NR + (25\% * BFBB))$
FARR	Additional Revenue to be Recovered (FX-FA)	\$0	Formula is: $-IF(NR > (-0.25 * BFBB), FX, FX + (NR + (0.25 * BFBB)))$
Step 4			
WL	Waiver Level (GWH)	5,505	Equals the lesser of SHP or HE + (FE * (FA / FX))
WLP	Waiver level percentage of full SHP	111%	Percent of waiver level to full SHP
CRCE	CRC Energy GWh (EA-WL)	0	= EA-WL (Does not include losses projected at 7.81%)
CRCEP	CRC level percentage of full SHP	0%	Percent of CRCE to full SHP or CRCE/EA
CRC	Cost Recovery Charge (mills/kWh)	-	=FARR / (EA * 1000)